

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

SEP 29 1999

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

DOCKETED BY

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IN THE MATTER OF COMPETITION IN THE
PROVISION OF ELECTRIC SERVICES
THROUGHOUT THE STATE OF ARIZONA.

DOCKET NO. RE-00000C-94-0165

DECISION NO. 61969

OPINION AND ORDER

DATES OF PUBLIC COMMENT HEARINGS: June 14, 17, 21, and 23, 1999

PLACES OF HEARINGS: Phoenix and Tucson, Arizona

PRESIDING OFFICERS: Jane Rodda and Teena Wolfe

IN ATTENDANCE: Carl J. Kunasek, Chairman
Jim Irvin, Commissioner
William A. Mundell, Commissioner

APPEARANCES: Mr. Paul A. Bullis, Chief Counsel, and Ms.
Janet Wagner, Staff Attorney, Legal Division,
on behalf of the Utilities Division of the
Arizona Corporation Commission.

BY THE COMMISSION:

On December 26, 1996, in Decision No. 59943, the Arizona Corporation Commission ("Commission") adopted rules which provided the framework for the introduction of retail electric competition in Arizona. These rules are codified at A.A.C. R14-2-1601 et seq. ("Rules" or "Electric Competition Rules"). Under the Rules adopted in December 1996, competition in the retail electric industry was to be phased-in beginning in January 1999.

The Commission adopted certain modifications to the Electric Competition Rules on an emergency basis on August 10, 1998, in Decision No. 61071 (the "Emergency Rules"). On December 11, 1998, in Decision No. 61272, the Commission adopted the Emergency Rules on a permanent basis. On January 11, 1999, the Commission issued Decision No. 61311 which stayed

1 the effectiveness of the Rules and related Decisions, and ordered the Hearing Division to begin
2 consideration of further comment and actions in the Docket. On April 23, 1999, the Commission
3 issued Decision No. 61634, in which the Commission adopted modifications to the Electric
4 Competition Rules ("Revised Rules").

5 The Revised Rules were published in the Arizona Administrative Register on May 14, 1999.
6 By Procedural Order dated April 21, 1999, public comment sessions were scheduled in Phoenix on
7 June 14, and 23, 1999, and in Tucson on June 17, and 21, 1999. The April 21, 1999 Procedural
8 Order also ordered interested parties to file written comments to the Revised Rules no later than May
9 14, 1999, and to file responsive comments no later than June 4, 1999. After consideration of the
10 filed written comments and oral comments received in the public comment hearings, the Hearing
11 Division recommends the modification of the Revised Rules as set forth in Appendix A ("Proposed
12 Modifications").

13 The Proposed Modifications are not substantive. Adoption of the Proposed Modifications
14 will allow the Commission to more effectively implement the restructuring of the retail electric
15 market by providing stakeholders with details of the structure and process of the introduction of
16 competition into Arizona's electric industry.

17 The Proposed Modifications include the following provisions:

18 The modifications to R14-2-203 and -209 are clarifications necessitated to conform to the
19 revisions to Article 16 and to clarify who pays charges for meter rereads, respectively.

20 The modifications to R14-2-1601 provide definitions for "Aggregation" and "Self-
21 Aggregation", "Ancillary Services" and "Public Power Entity" which were needed to clarify terms
22 utilized in the Revised Rules. The definition of Utility Distribution Company ("UDC") was
23 amended to reinstate the word "constructs".

24 R14-2-1602 is not modified.

25 The modification of R14-2-1603 clarifies that distribution cooperatives that provide
26 Competitive Services within their distribution service territories do not need to apply for a Certificate
27 of Convenience and Necessity ("CC&N"), and clarifies that applicants affiliated with an Affected
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1 Utility must demonstrate that they have a Commission-approved Code of Conduct as a requisite of
2 certification.

3 The modifications to R14-2-1604 clarify that small users are eligible to aggregate their loads
4 and are eligible to participate in the competitive market subject to the limitations of the phase-in
5 period. The proposed modification also provides that a waiting list of residential customers
6 interested in participating in the competitive market be made available to certificated Electric Service
7 Providers upon request.

8 The modification of R14-2-1605 clarifies that distribution cooperatives providing services
9 within their service territories do not require a CC&N.

10 The modifications to R14-2-1606 define the term "open market" and further delineate the
11 elements that must be unbundled in the Standard Offer Service tariffs.

12 There are no proposed modifications to R14-2-1607(Recovery of Standard Cost) or -1608
13 (System Benefits Charges).

14 The modification to R14-2-1609 clarifies that the UDC retains the obligation to assure
15 adequate transmission import and distribution capability to meet the needs of all distribution
16 customers within its service territory. The proposed changes were based upon parties' comments
17 that additional guidance regarding a UDC's obligation concerning transmission import capability
18 would be beneficial. The modifications do not alter the obligation established in the Revised Rules.

19 No change was proposed for R14-2-1610 concerning in-state reciprocity.

20 In R14-2-1611(C), the word "terms" is changed to "provisions" to avoid confusion about the
21 Commission's obligation concerning the confidentiality of special contracts.

22 The modifications to R14-2-1612(C) add protections contained in A.R.S. §40-202 regarding
23 the authorization to switch electric providers. In addition, Section 1612(I) was revised to clarify
24 confusion about the timeframe for terminating competitive service and returning a customer to
25 Standard Offer Service. Section 1612(K) was revised slightly to provide that each competitive point
26 of delivery shall be assigned a Universal Node Identifier and that the Load-Serving Entity developing
27 the load profile determines if a load is predictable. Section 1612(N) was revised to provide the
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1 minimum elements that should appear on every bill.

2 R14-2-1613 was modified to remove the word "and" from Section 1613(A) and to correct
3 the numbering of section 1613(B).

4 There is no proposed change to R14-2-1614.

5 The proposed modifications to R14-2-1615 replace the reference to "meters" in Section
6 1615(B) with "Meter Services and Meter Reading Services" and replace the reference to service
7 territory at the time of these rules with "its distribution service territory" in section 1615(C). Also,
8 the reference in Section 1615(C) to the generation cooperative is removed.

9 The modification to R14-2-1616 clarifies that this section, requiring a Code of Conduct,
10 applies to Affected Utilities, including cooperatives, that plan to offer Competitive Services through
11 an affiliate and also provides minimum guidelines for the content of the required Codes of Conduct.
12 Further, the modification clarifies that the Code of Conduct is subject to Commission approval after
13 a hearing.

14 The modifications to R14-2-1617 add language to Sections 1617(A) and (B) to clarify that
15 Load-Serving Entities providing either generation service or Standard Offer Service must prepare
16 the consumer information label, and correct a typo in Section 1617(D).

17 * * * * *

18 Having considered the entire record herein and being fully advised in the premises, the
19 Commission finds, concludes, and orders that:

20 **FINDINGS OF FACT**

21 1. Decision No. 59943 enacted R14-2-1601 through -1616, the Retail Electric
22 Competition Rules.

23 2. Decision No. 61071 (August 10, 1998) adopted certain modifications to the Retail
24 Electric Competition Rules and conforming changes to R14-2-203, R14-2-204 and R14-2-208
25 through R14-2-211 on an emergency basis.

26 3. Decision No. 61272 (December 11, 1998) adopted the Emergency Rules on a
27 permanent basis, including Staff's additional changes proposed on November 24, 1998.
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1 4. Decision No. 61311 stayed the effectiveness of the Emergency Rules and related
2 Decisions, and ordered the Hearing Division to conduct further proceedings in this Docket.

3 5. In Decision No. 61634 (April 23, 1999), the Commission adopted the Revised Rules,
4 which revised R14-2-201 through -207, -210 and -212 and R14-2-1601 through -1617.

5 6. The Revised Rules and the Economic, Small Business and Consumer Impact
6 Statement were sent to the Secretary of State and published in the Arizona Administrative Register
7 on May 14, 1999.

8 7. Pursuant to Procedural Order dated April 21, 1999, public comment sessions on the
9 Revised Rules were held in Phoenix on June 14, and 23, 1999, and in Tucson on June 17 and 21,
10 1999, and interested parties filed written comments to the Revised Rules by May 14, 1999, and filed
11 responsive comments by June 4, 1999.

12 8. After consideration of the filed written comments and oral comments received in the
13 public comment hearings, the Hearing Division recommended the Proposed Modifications set forth
14 in Appendix A, and incorporated herein by reference. The Proposed Modifications amend R14-2-
15 203 and -209, and R14-2-1601, -1603 through -1606, -1609, -1611 through -1613, and -1615
16 through -1617.

17 9. The Concise Explanatory Statement for the Proposed Modifications is set forth in
18 Appendix B, attached hereto and incorporated herein by reference.

19 10. We believe that in the interest of economic efficiency, transaction processing methods
20 used by market participants should be standardized and coordinated statewide, and that Commission
21 Staff, market participants, and the Residential Utility Consumer Office should participate in a
22 process to achieve the goal of consistent statewide application of transaction processing methods by
23 the time that the Arizona market is open to full retail electric competition. To achieve this goal, a
24 Process Standardization Working Group, coordinated by the Director, Utilities Division or Director's
25 designee, should be formed; and the Process Standardization Working Group should, as soon as
26 practicable, submit a Report to the Commission containing Standardized Operating Procedures to
27 be used by all market participants. The Report should also contain any additional Staff
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1 recommendations based on the Process Standardization Working Group's review of transaction
2 processing methods.

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4 **CONCLUSIONS OF LAW**

5 1. The Commission has the authority for the Proposed Modifications pursuant to Article
6 XV of the Arizona Constitution and A.R.S. §§ 40-202 , 40-203, 40-250, 40-321, 40-322, 40-331,
7 40-332, 40-336, 40-361, 40-365, 40-367 and A.R.S. Title 40, generally.

8 2. Notice of rulemaking and of the hearing was given in the manner prescribed by law.

9 3. The Proposed Modifications are not substantive in nature.

10 4. Adoption of the Proposed Modifications is in the public interest, and should be
11 approved.

12 5. The Concise Explanatory Statement set forth in Appendix B should be adopted.

13 6. Formation of a Process Standardization Working Group and submission of a Report
14 as outlined in Findings of Fact No. 10 above will serve the public interest.

15 **ORDER**

16 IT IS THEREFORE ORDERED that A.A.C. R14-2-201 et seq. and R14-2-1601 et seq. as
17 set forth in Appendix A and the Concise Explanatory Statement, as set forth in Appendix B are
18 hereby adopted.

19 IT IS FURTHER ORDERED that the Commission's Utilities Division shall submit the
20 adopted amended Rules A.A.C. R14-2-201 et seq. and R14-2-1601 et seq. to the Office of the
21 Secretary of State.

22 IT IS FURTHER ORDERED that within thirty days of the effective date of this Order, a
23 Process Standardization Working Group shall be formed, which shall consist of Commission Staff,
24 market participants, and the Residential Utility Consumer Office; and shall be coordinated by the
25 Director, Utilities Division or the Director's designee.

26 IT IS FURTHER ORDERED that the Process Standardization Working Group shall meet
27 as necessary to review transaction processing methods used by market participants, for the purpose
28 of standardizing and coordinating those methods.

1 IT IS FURTHER ORDERED that on or before June 15, 2000, the Director, Utilities Division,
2 or the Director's designee, shall file with the Commission a Process Standardization Working Group
3 Report, which shall contain Standardized Operating Procedures to be used by all market participants.
4 The Report may also contain additional Staff recommendations based on the Process Standardization
5 Working Group's review of transaction processing methods.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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9 CHAIRMAN
10 
COMMISSIONER
COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
12 Secretary of the Arizona Corporation Commission, have hereunto set
13 my hand and caused the official seal of the Commission to be affixed
14 at the Capitol, in the City of Phoenix, this 29th day of
September 1999.

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16 BRIAN C. McNEIL
17 EXECUTIVE SECRETARY
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20 DISSENT _____
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